

Message Text

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TAGS: EINV, PO

SUBJ: FORTIS-OTIS PORTUGUESA

REF: PARIS 08950 (NOTAL)

1. TWO ACCOUNTANTS FROM OTIS EUROPEAN HEADQUARTERS SPENT APRIL 8-9 REVIEWING FINANCIAL STATUS AND VISITING FACTORY OF FORTIS-OTIS PORTUGUESA. MINISTRY OF INDUSTRY PROVIDED SUPPORT AND ASSISTANCE.

2. EMBASSY OFFICERS DEBRIEFED ONE OTIS OFFICIAL PRIOR TO HIS DEPARTURE FROM LISBON. MAJOR POINTS AS FOLLOWS:

3. WORKERS STILL TALK AND ACT AS THOUGH THEY WORK FOR OTIS INTERNATIONAL AND THEY COOPERATED IN ALL ASPECTS OF REVIEW, BOTH AT OFFICE AND AT FACTORY. WORKERS EXPRESSED DESIRE THAT OTIS RETURN TO PORTUGAL, PROBABLY, ACCORDING TO OTIS OFFICIAL, BECAUSE THEY REALIZE THEY CAN NO LONGER EXIST WITHOUT OUTSIDE ASSISTANCE. SITUATION ESPECIALLY ACUTE WITH REGARD TO INVENTORY OF PARTS WHICH IS NOW ALMOST COMPLETELY DRAWN DOWN.

4. FORTIS-OTIS HAD SUBSTANTIAL FINANCIAL LOSS IN 1975 AND 1976 LOSSES WILL BE LARGER. HOWEVER, WORKERS DID NOT RESORT TO BORROWING FROM BANKING SYSTEM. SUFFICIENT CASH

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FLOW WAS GENERATED TO COVER BASIS SALARIES THROUGH DISCOUNT

SALES OF ELEVATORS BUILT FROM INVENTORY PARTS AND FROM MAINTENANCE OF PREVIOUSLY INSTALLED UNITS. SEVERAL FRINGE BENEFITS AND SOME VACATION BONUSES WERE DEFERRED. EMPLOYMENT HAS DROPPED ONLY SLIGHTLY DURING LAST YEAR.

5. PLANT HAS BEEN MAINTAINED IN SUPERB CONDITION.

6. GOP VERY INTERESTED IN ARRANGING SOME TYPE OF CORPORATE INTEGRATION BETWEEN OTIS AND PORTUGUESE ELEVATOR MANUFACTURER COMPORTEL. LATTER FIRM IS VERY LARGE, ABOUT 800 WORKERS, CONTROLS LARGE SHARE OF PORTUGUESE MARKET, INCLUDING SUPPLY OF ELEVATORS FOR NEW PUBLIC HOUSING, AND IS IN SERIOUS FINANCIAL STRAITS. ANOTHER OTIS OFFICIAL WILL VISIT COMPORTEL WEEK APRIL 12.

7. OTIS INTERNATIONAL REPRESENTATIVES WILL RECOMMEND DETAILED STUDY BE MADE OF FINANCIAL SITUATION OF FORTIS-OTIS BY PROFESSIONAL AUDITING FIRM. THEY CONCERNED THERE MAY BE HIDDEN COSTS AND DEBTS, SUCH AS NON-PAYMENT OF VACATION BONUS OR SOCIAL SECURITY, FOR WHICH OTIS MIGHT BE LIABLE. FIRM WILLING TO DISCUSS WITH GOP VARIOUS POSSIBLE ARRANGEMENT FOR ITS RETURN TO PORTUGAL INCLUDING SOME KIND OF DEAL WITH COMPORTEL. CARLUCCI

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